

Solid update amidst pandemic uncertainty

15 December 2021

In a half-year trading update to 30 Nov 21 (H1 22), Time Finance has reported positive loan origination momentum, leading to its gross lending book increasing from £116m on 31 May 21 to approximately £121m, and its Net Tangible Assets increasing from £28.4m to over £29m.

Time also reported that deals in arrears are at their lowest level since Q4 2018 and no deals remain in forbearance, which has rapidly declined from a pandemic peak of over £24m.

Time's largest lending market has continued to recover in recent months, with the Finance and Leasing Association (FLA) reporting (on 9 Dec 21) that: "The sustained growth in the asset finance market during much of 2021 demonstrates the underlying strength of the industry, with many sectors returning to levels of new business seen pre-pandemic."

However, in a similar vein to Time's trading update, it did stress the uncertainty around the recovery, saying: "the pace of recovery has been hampered by asset shortages which are likely to persist into 2022 as countries across the world contend with new waves and variants of Covid-19." (See page 2 for further FLA historical statistics).

In our view Time Finance remains deeply undervalued

Whilst we also caution that uncertainty certainly exists around the near-term recovery of Time's markets, our previous forecasts look roughly in line with current trading momentum and **we have not revised these**. We will review our forecasts again in Jan 22 when Time releases H1 22 results, and when more visibility around the economic impact of Omicron should be available.

We remind readers that: 1) our core value, based on Time meeting its longer-term strategic objectives, is **50p per share**, more than double the current share price; 2) Time's price-to-book ratio is **0.37** compared to a peer median of **1.29**; 3) its market cap of £21.1m now represents a **27% discount to Net Tangible Assets**, and 4) it's **PER of 11.5** (and forward PER **8.6**) is undemanding given Time's growth prospects. We maintain our view that Time is deeply undervalued.

Key Financials						
Year end 31 May	FY 18A	FY 19A	FY 20A	FY 21A	FY 22E	FY 23E
Loan originations, £m	143	161	147	103	106	131
Net lending book*, £m	125	124	108	101	106	124
Revenue, £m	30.0	31.8	29.2	24.2	25.3	29.3
Admin exp, £m	12.0	13.3	12.8	11.5	13.2	14.1
Bad debt provisions, £m	2.2	2.4	5.1	5.1	5.2	5.0
PBTE**, £m	7.8	8.1	3.0	3.1	3.3	5.4
EPS basic, p	7.6	7.3	1.8	2.0	2.6	4.5
Price Earnings Ratio	3.0	3.1	13.0	11.5	8.6	5.1
Price to Book Ratio	0.44	0.39	0.38	0.37	0.35	0.33
Net tangible assets***, £m	25.4	27.8	26.5	28.4	30.8	34.8
Net assets, £m	47.7	53.8	55.2	57.1	59.5	63.5

Source: Company Historic Data, ED estimates. PER and PBT based on share price of: **22.75p**
 *excl. unearned interest, ** profit before tax, exceptional items & share-based pmnts ***excl. goodwill

Company Data

EPIC	TIME
Price (last close)	22.75p
52 weeks Hi/Lo	32p / 20p
Market cap	£21.1m
Net Tangible Assets	£29m
Avg. daily volume	102k
ED Fair Value / share	50p

Share Price, p



Source: ADVFN

Description

Time Finance, established in 1998, is a non-bank lender and broker. It has four operating divisions:

Asset finance: for SMEs to purchase hard and soft assets;

Invoice finance: for SMEs to borrow against debtors books;

Loans: commercial SME loans and consumer property loans;

Vehicle finance: for SMEs and consumers to purchase commercial or private vehicles.

Most asset, invoice, and SME loans are written to 'own-book'. Consumer and vehicle loans are 'broked-on'.

Next Event: HY results, 20 Jan '22

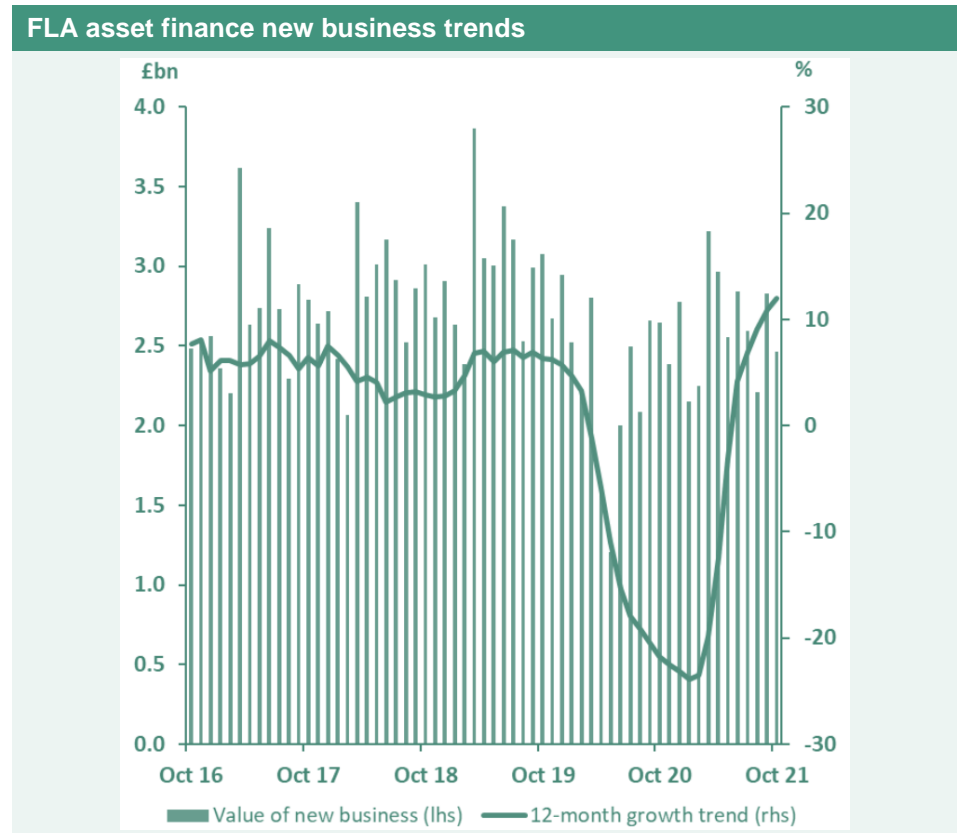
Paul Bryant (Analyst)

0207 065 2690
paul.bryant@equitydevelopment.co.uk

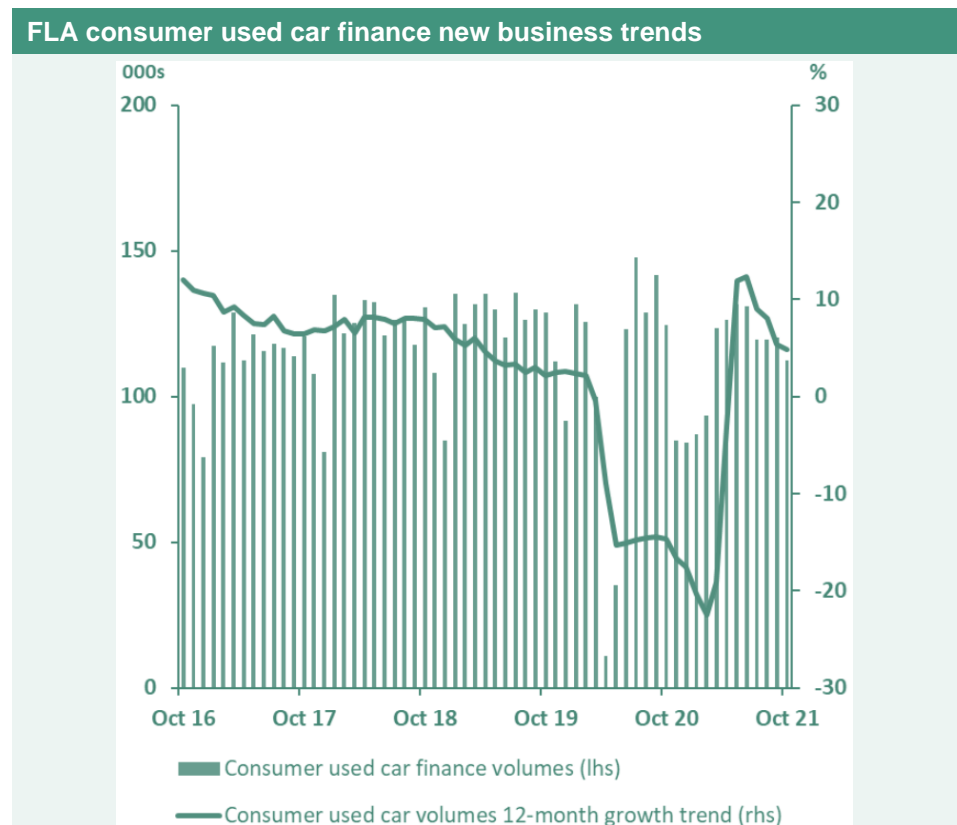
Andy Edmond

0207 065 2691
andy@equitydevelopment.co.uk

Market lending statistics



Source: Finance and Leasing Association (FLA)



Source: Finance and Leasing Association (FLA)

Peer valuation comparison



Source: ED, ADFVN as at 14 December 2021



Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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Equity Development, Park House 16-18 Finsbury Circus, London, EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 2690